

VZCZCXYZ0001
PP RUEHWEB

DE RUEHNC #0511/01 0952015
ZNY CCCCC ZZH
P 052015Z APR 06
FM AMEMBASSY NICOSIA
TO RUEHC/SECSTATE WASHDC PRIORITY 5813
INFO RUEHAK/AMEMBASSY ANKARA PRIORITY 4600
RUEHTH/AMEMBASSY ATHENS PRIORITY 3545
RUEHLO/AMEMBASSY LONDON PRIORITY 1159
RUEHSM/AMEMBASSY STOCKHOLM PRIORITY 0421
RUEHVI/AMEMBASSY VIENNA PRIORITY 0441
RUCNDT/USMISSION USUN NEW YORK PRIORITY 0512
RUEHBS/USEU BRUSSELS PRIORITY

C O N F I D E N T I A L NICOSIA 000511

SIPDIS

SIPDIS

E.O. 12958: DECL: 04/04/2021
TAGS: [PREL](#) [PGOV](#) [CY](#)
SUBJECT: PICK-A-PECK-OF-PECCADILLOS: A RAFT OF SCANDALS
BESETS THE MFA

Classified By: Ambassador Ronald L. Schlicher; Reason 1.4
(b) and (d)

¶1. (C) Summary: The Cypriot MFA is an unhappy and dysfunctional place. A recent raft of scandals -- nearly all related to sex or money -- has both embarrassed the ministry and undercut its effectiveness. The scandals are beginning to overlap. The MFA may well choose to pardon an embezzler at the embassy in Stockholm who also happens to be a key witness in the sexual harassment investigation against the Ambassador. Systemic problems at the MFA have been magnified by an increasingly vicious and competitive culture in which ratting out one's colleague is often the swiftest and surest ticket to personal advancement. Much of the blame for this can be laid at the doorstep of the MFA's Permanent Secretary, Sotos Zakheous, who has used the various scandals percolating in the ministry to undercut potential rivals. Our contacts describe a personnel system that rewards and punishes diplomats in direct proportion to their perceived personal loyalty to Zakheous. Even senior officials are clearly afraid to cross the Permanent Secretary, who has allies in the Palace as well as in the largest political party, AKEL. The bilious atmosphere at the MFA complicates our own efforts to urge the GOC to look beyond the parochial Cyprus issue and engage more broadly with global affairs. End Summary.

Pride of Lions, Murder of Crows, Raft of Scandals

¶2. (C) A seemingly endless stream of scandal and gossip emanating from Cyprus Embassies over the last year has embarrassed the MFA and left the Cypriot public with the impression that its diplomatic corps is chock-a-block with expense account cheats and sexual predators. Most recently, the MFA was forced to announce that it had asked the government to begin a criminal investigation into the alleged embezzlement of some 200,000 Cyprus pounds (\$400,000) from the Embassy in Stockholm. According to press accounts, the suspect -- a Cypriot administrator -- had been forging documents and signatures (including the Ambassador's) for at least three years and transferring the funds to his personal bank account to support an expensive gambling habit. MFA officials reportedly offered a deal to the employee -- return the money and no charges would be filed -- because the suspect was also the key witness in an ongoing investigation against Cyprus' former Ambassador to Sweden, Costas Papademas. Last June, three female employees of the Embassy, two local staff and one Cypriot diplomat, accused Papademas of sexual harassment. Following an investigation, the Cyprus

police filed a total of 26 charges against the Ambassador. After his arrest, Papademas was released on bail, but his passport was confiscated and his name was added to the stop-list at the airport. His trial should begin sometime in May or June.

¶3. (SBU) One day after the March 30 announcement of the embezzlement investigation in Stockholm, the Cypriot papers reported that the MFA was also investigating the disappearance of a dinosaur fossil from the Embassy in Brussels. The fossil had been donated to the Embassy by a former Greek mayor some five years ago. At a recent Embassy reception, however, the donor noticed that his fossil was not on display and he asked for an explanation. It turns out that the fossil had never been registered as Embassy property. Investigators suspect that a diplomat who was working at the mission at that time took the fossil himself and gave it to a relative in New York who was active in the trade of antiquities and other archeological artifacts. It is believed that the fossil in question is now in the hands of a nameless private collector.

¶4. (C) This is just the tip of the proverbial iceberg. The Cypriot MFA is a fundamentally unhappy and dysfunctional place. Had Leo Tolstoy been a diplomat, he would have been the first to observe that all unhappy embassies are unhappy in their own way. Even so, two clear themes emerge (unsurprisingly) from the list of recent scandals: sex and money. The sex is mostly tawdry or coercive and the money (Stockholm aside) is mostly chump change. We are aware of no scandals stemming from disagreement over policy issues. With apologies to Matt Drudge, Al Kamen and Liz Smith, some of the highlights include:

-- In 2004, the Cypriot Ambassador to Moscow, Andreas Georgiades, was recalled pending an investigation into alleged irregularities related to hotel room charges. Investigators concluded that Georgiades had charged the government at the hotel's maximum rate when his own bills had been reduced nearly 60% by the hotel management. Total gain for Georgiades: \$2,376. The Ambassador has since retired. (Note: Georgiades' predecessor, Charalambos Ioannides, was also recalled in 2002 in relation to alleged irregularities in his expense accounts. Ioannides is currently serving as director of the MFA's Middle East and North Africa Department).

-- In July 2005, the MFA confirmed press reports that the Cypriot Ambassador to Iran, Stavros Loizides, was under investigation for both sexual harassment and embezzlement. According to MFA officials -- many of them displaying the unmistakable signs of schadenfreude -- the owner of an Iranian travel agency had accused Loizides of making inappropriate advances on two of his customers and one of his employees. FM Iacovou publicly defended Loizides, characterizing his invitation to a young Iranian female visa applicant to wait in his private quarters while her application was reviewed as nothing more than "an act of politeness." In addition to the sexual harassment complaints, Loizides is also facing nine charges related to expense account padding. The investigation is ongoing.

-- In February 2006, the newspaper Politis reported that a Cypriot Ambassador serving in a Central European country posted a half-naked picture of himself on several gay-themed internet sites along with solicitations for sexual partners. The paper had been tipped off by an anonymous e-mail signed only "a group of Christians." An investigation by the MFA reportedly concluded that the Ambassador had been set up by a professional rival, but he was nevertheless recalled to Nicosia on March 1.

What's Going on Here?

¶5. (C) Cypriot diplomats receive little in the way of administrative support or guidance from the home office. They are responsible for making their own travel plans,

renting their own houses, and managing their own and their embassies' affairs with minimal oversight. The system is rife with abuse, and conflicts between employees and the central system typically wind up in the courts. Reflecting the litigious nature of Greek Cypriot society, the diplomatic corps is quick to pull the trigger on a lawsuit over everything from hiring, to assignments, to voucher processing. The current head of the MFA's Legal Affairs Division, Michalis Stavrinou, has filed no fewer than three separate law suits against his employer.

¶16. (C) The systemic problems in the MFA are magnified by an increasingly vicious and competitive culture in which ratting out your colleagues is one of the swiftest and surest tickets to personal advancement. Perched at the center of the web of intrigue and infighting like some malevolent spider is the MFA's Permanent Secretary, Sotos Zakheous. One MFA official told us that the Ministry was prepared to pardon the embezzler from the Swedish affair because he was a key witness in the investigation into Papademas, who was himself a potential rival to Zakheous. The Permanent Secretary makes all personnel decisions below the level of Ambassador (and has significant input into those appointments as well). Our working-level contacts tell us that Zakheous uses this power as both a form of patronage to reward his loyalists and a cudgel with which to beat his rivals.

¶17. (C) Even senior officials with their own established networks and bases of support -- such as Political Director Thalia Petrides or Cyprus Question Division Director Erato Marcoullis -- seem scared to cross him. We have heard from some in the MFA that the Foreign Minister handles his Permanent Secretary as one would a poisonous snake, carefully and infrequently. Moreover, Zakheous has also taken personal responsibility for the stepped-up intake of new junior diplomats. Like replicates like, and the incoming crop of MFA officials seems both loyal to Zakheous and remarkably similar to him in style.

¶18. (C) Zakheous is a self-promoter of the first order. President Papadopoulos declared to the Ambassador in their last meeting that he regularly receives reports of meetings with foreign officials directly from the Permanent Secretary. His reports are invariably fulsome in describing Zakheous' interventions but typically neglect to mention what his foreign interlocutor had to say. That said, the President went on to describe Zakheous as the best Permanent Secretary the MFA has ever had even if "some of the time -- OK much of the time -- he is too aggressive." Although he seeks to cultivate a personal relationship with the Presidential Palace, Zakheous is widely-regarded as an AKEL loyalist. It was AKEL that reportedly insisted the Ministry accept Zakheous as junior diplomat. One of Zakheous' cohorts from the Cypriot MFA's equivalent of A-100 told us that "from day one, we knew to be careful of this guy. He was politically connected and seemed to be without any kind of ethical compass."

Comment

¶19. (C) The MFA is hardly unique in laboring under the dark cloud of scandals. Similar charges have beset other ministries. The allegations against the MFA are the juiciest, however, and the air of "international intrigue" adds an additional layer of salacious appeal. Part of the problem at the MFA is that the culture is changing. From what we understand, Cypriot diplomats have always shaded the truth in their expense reports. It is only recently that this practice has come to make problems for them. Older diplomats, in particular, have found it hard to adapt to changing mores and standards.

¶10. (C) Meanwhile, the overall bilious atmosphere at the MFA complicates our own efforts to urge the GOC to look beyond the parochial Cyprus issue and engage more broadly with global affairs. The diplomats in the MFA are reluctant to take risks of any kind for fear of crossing their martinet

PermSec. It is far easier for the mid-level officials who make the wheels turn at the MFA to keep their heads down and maneuver for that cushy posting in Geneva.

SCHLICHER